

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

DISCREETED

JUN 17 1981

MIDWAY MFG. CO., a corporation

Plaintiff,

vs.

ARTIC INTERNATIONAL, INC.,
a corporation

Defendant.

80 C 5863
Judge Decker

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FILED

PLAINTIFF'S REPLY MEMORANDUM IN SUPPORT OF ITS AMENDED
MOTION FOR PRELIMINARY INJUNCTION

I. PRELIMINARY STATEMENT

None of the massive amount of materials submitted by defendant defeats Midway's prima facie case of copyright validity and infringement.

Defendant has also failed to rebut Midway's showing that defendant has infringed Midway's trademark rights, violated Section 43(a) of the Lanham Act and the Illinois Deceptive Trade Practices Act, and committed other acts of unfair competition. Defendant has admitted selling speed-up kits and inducing others to mutilate the GALAXIAN audiovisual work. Defendant has also sold complete printed circuit boards for the GALAXIAN and PAC-MAN video games which can be used to make such games.

Midway has established a strong likelihood that it will succeed on the merits of its claims of copyright infringement, violation of Lanham Act §43(a) and unfair competition. This showing, alone is sufficient to raise a presumption of irreparable injury. American Metropolitan Ent. of N.Y. v. Warner Bros. Recardo, 389 F.2d 903, 905 (2 Cir. 1968). In addition, Midway has amply demonstrated irreparable injury in fact.

In the event that the Court desires additional evidence to that already in the record, Midway requests an evidentiary hearing on this motion and consolidation of the hearing with trial on the merits.

"II. THE AUDIOVISUAL WORKS IN MIDWAY'S GALAXIAN AND PAC-MAN GAMES ARE CLEARLY COPYRIGHTABLE

A. Courts Have Granted Preliminary Injunctions For Infringement Of Copyrightable Audiovisual Works Or Motion Pictures In Video Games.

"Motion pictures and other audiovisual works" are copyrightable subject matter under 17 U.S.C Section 102(a)(6). Midway's GALAXIAN and PAC-MAN video games include audiovisual works, because they "are works that consist of a series of related images which are intrinsically intended to be shown by the use of machines or devices such as ... electronic equipment, together with accompanying sounds, if any, regardless of the nature of the material objects, such as films

or tapes, in which the works are embodied." 17 U.S.C. §101 (emphasis added). In addition, the audiovisual works in the games constitute "motion pictures," as that term is defined under 17 U.S.C. §101, because the audiovisual works in the games constitute a series of related images which, when shown in succession, impart an impression of motion, together with accompanying sounds.

In Stern Electronics, Inc. v. Kaufman et al., 80 C 3248 (E.D.N.Y., May 22, 1981) (copy attached as Exhibit A), Judge Nickerson granted a preliminary injunction against the infringement by defendants of Stern's copyrights in its SCRAMBLE video game. Judge Nickerson held that video games include copyrightable audiovisual works:

"Stern's video game, 'SCRAMBLE', falls within this definition, and presents on a screen a series of images projected by a cathode ray tube which depicts a space ship simultaneously trying to navigate a mountainous air space, destroy enemy field depots, evade deadly ground fire, and prevail in an aerial dog fight, while at the same time watching carefully over a diminishing fuel supply. In essence, the work is a movie in which the viewer participates in the action as the fearless pilot controlling the space ship." } (Pages 7-8).

Accord, Cinematronics, Inc. v. K. Noma Enterprises Co., et al., CIV. 81-439 PHX-EHC (D. Arizona, 5/22/81) (copy attached as Exhibit B).

B. Midway's Audiovisual Works In Its GALAXIAN And PAC-MAN Video Games Are "Fixed" In The Printed Circuit Boards For Such Games.

Under 17 U.S.C. §102, copyright protection subsists in original works of authorship "fixed in any tangible medium of

expression, now known or later developed, from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device." (emphasis added).

This Court noted on Page 15 of its June 2, 1981 MEMORANDUM OPINION AND ORDER (hereinafter referred to as the June 2 Opinion) "that the work was, at a minimum, fixed in the tapes submitted to the Copyright Office." (June 2, 1981 Opinion, page 15). The GALAXIAN and PAC-MAN works are also fixed in the printed circuit boards which are incorporated into the complete games.

A work is "fixed", under 17 U.S.C. §101, when its embodiment in a copy "is sufficiently permanent or stable to permit it to be perceived, reproduced or otherwise communicated for a period of more than transitory duration." Since there can be no question that audiovisual works in the printed circuit boards can be repeatedly perceived and reproduced with the aid of the other electronic equipment and television picture tube in the video game machines, the GALAXIAN and PAC-MAN audiovisual works are "fixed" in the printed circuit boards.

Although the sequence of images may vary from one "play mode" to the next, the images themselves are predetermined and there are predetermined sequences of their appearance, depending on the action of the player. The

predetermined nature of the images and of their sequences are the result of the fixation of the work in the electronic circuit board. Thus, the variations in performance do not alter the fact that the work has been fixed, just as in the case of a choreographic work. That is, dance performances of a choreographic work may differ, but that does not mean that the work is not fixed in a script. Therefore, what happens during performance is irrelevant to fixation.

C. The Copyrights In Suit Are "Audiovisual Works", Not Computer Programs

Defendant has raised several arguments relating to computer programs. Computer programs are not at issue in this suit. Midway has not charged Artic with infringing copyrighted computer programs. Midway has charged Artic with infringing copyrighted audiovisual works in its PAC-MAN and GALAXIAN games. Midway has also charged Artic with making unauthorized derivative works and adaptations of Midway's GALAXIAN game, and inducing others to do the same, by selling speed-up kits.

In the Stern case, supra, Judge Nickerson rejected } arguments based on computer programs which are similar to those raised by defendant here:

"The popularity of a video game depends on the creativity of its audiovisual display, not in the form of its computer program. Indeed, a potential customer does not care about the computer program except insofar as it effects the audiovisual display.

While the audiovisual display emanates from the computer program, it is senseless to say that therefore the display is not original. An author's

work does not become any less original after he has found a means to replicate it.

An audiovisual display is an appropriate subject for a copyright even if the underlying computer program is not copyrighted. The program and display are quite separate in form and function. The identical audiovisual display may be created from many different computer programs, and a slightly modified computer program may produce a wholly different audiovisual display." (Stern opinion, p. 8).

D. The Video Tape, Printed Circuit Boards,
And Complete Games Are "Copies,"
As Defined In 17 U.S.C. §101.

Because Midway's audiovisual works in its GALAXIAN and PAC-MAN games are fixed in the video tapes which were submitted to the Copyright Office, each of the tapes is a "copy" of the game as the term copy is defined in the Copyright Act*:

"Copies" are material objects...in which a work is fixed by any method now known or later developed, and from which the work can be perceived, reproduced or otherwise communicated, either directly or with the aid of a machine or a device." 17 U.S.C. §101.

Under the definitions set forth above, the printed circuit boards are "copies" because the audiovisual work for GALAXIAN and PAC-MAN as fixed in the circuit boards and because such works can be perceived and reproduced with the aid of a machine. Moreover the complete game is a copy because it is a material object in which the work is fixed and from which the

*Although Midway's response to interrogatories of defendant states that, at the time of the response, Midway considered the tapes to be merely part of the identifying materials, Midway now agrees with defendant that the video tape can be considered to be a "copy" of the work under the statutory definition.

work can be perceived directly and reproduced, such as by making a video tape.

E. Defendant Has Not Rebutted Plaintiff's Prima Facie Case Of Ownership, Originality And Validity

By submission of the registration certificates for the GALAXIAN and PAC-MAN audiovisual works, plaintiff has established "prima facie evidence of the validity of the copyright and of the facts stated in the certificate[s]." (June 2, 1981 Opinion, page 22). The Jarocki Affidavit further establishes these facts.

Defendant's labored arguments on page 3 of its memorandum to the effect that Namco may still have some interest in the GALAXIAN and PAC-MAN games are irrelevant under 17 U.S.C. §501(b) which provides that either the legal or beneficial owner of an exclusive right under a copyright is entitled to institute an action for infringement. The assignment recorded in the Copyright Office and recited in the certificate of registration establishes that Midway is the legal owner of the copyrights in suit, and defendant has introduced no evidence to the contrary. The documents that Midway has produced to defendant's counsel clearly establish that Midway is presently both the legal and beneficial owner of the copyrights in question. Thus, defendant's arguments regarding ownership of the copyrights are contrary to both the facts known to defendant's counsel and to the law.

Defendant has relied heavily on briefs and memoranda submitted to the International Trade Commission. These briefs and memoranda do not help defendant, because on June 9, 1981, the ITC unanimously held that all of the named respondents had committed unfair acts under 19 U.S.C. Section 337 by infringing Midway's copyright in its GALAXIAN game, by falsely designating the origin of their products under Lanham Act Section 43(a), and by infringing Midway's common law GALAXIAN trademark. Indeed, at the hearing in which the ITC announced its decision, the General Counsel of the Commission, who had previously submitted the memorandum relied on by defendant and leading to the other briefs, indicated to the Commission that it had reconsidered its position and urged the Commission to find that Midway owned copyrights in the GALAXIAN video game and that the respondents had infringed those copyrights. As soon as the ITC's decision is published, Midway will submit a copy of it to the Court.

III. DEFENDANT HAS INFRINGED MIDWAY'S COPYRIGHTS

Contrary to defendant's arguments on pages 6-8 of its memorandum, and as this Court has recognized, it is well established that there is a cause of action for contributory copyright infringement. (June 2, 1981 Opinions page 12). As plaintiff explained in its memorandum in support of its motion for preliminary injunction filed December 23, 1980, defendant has committed acts of contributory infringement by inducing others to create unauthorized derivative works of plaintiff's

GALAXIAN game by inserting defendant's speed-up kits in those games, and by inducing others to perform and operate for profit such derivative works.

Defendant claims that it "sells" and "doesn't know what game machine its boards go into." That argument is not credible in view of defendant's advertising for its speed-up kits. Prior to the commencement of this suit, defendant advertised "speed up your game, speed up your GALAXIAN income." (Deposition of Sming Huang, president of defendant, Exhibits 8, 9, 10, Group Exhibit C, attached; Huang Dep. 352-358, Group Exhibit D, attached). Defendant did not change its advertising to delete reference to GALAXIAN until after this suit was filed. (Huang Dep. 370-376, Group Exhibit D). Defendant's advertising is evidence that defendant intended its speed-up kits to be used only in GALAXIAN games or counterfeit copies thereof. Where, as here, intent to infringe is manifested in unfair competition cases, a presumption is raised that the defendant has done what it intended to do. See My-T Fine Corp. v. Samuels, 69 F.2d 76, 77 (2 Cir. 1934), Mastercrafters C. & R. Co. v. Vacheron & Const. Le C. W., 221 F.2d 464, 466-467 (2 Cir. 1955), cert. denied, 350 U.S. 832 (1955).

The affidavits submitted by defendant establish that Artic sold a complete GALAXIAN printed circuit board at the AMOA show in Chicago, and that Artic was advertising, promoting

and attempting to sell its speed-up kits at the show. Other than that, the affidavit testimony is not credible.

There is no evidence to support defendant's contention that its speed-up boards can be used to speed up any game other than Midway's GALAXIAN game. Of the four games in which defendant alleges that the speed-up kits can be used (Def. Memo p.7), at least two of them would be infringements of Midway's GALAXIAN game if sold in this country: any GALAXIAN game produced by Namco or the COSMIC ALIEN game produced by Universal. There is no evidence whatsoever as to what type of game is performed by the "UNIWARMS" or "KAMIKAZE" machines, but plaintiff believes there is a strong possibility that these games are also infringements of GALAXIAN. There is no evidence that defendant's speed-up kit has any noninfringing use.

With regard to the COSMIC ALIEN game, Professor Nimmer has executed an affidavit in which he concluded that there were sufficient similarities to support a finding that COSMIC ALIEN is an infringement of Midway's GALAXIAN video game. That affidavit is attached as Exhibit E. }

There can be no doubt that defendant's sale of printed circuit boards used to make PAC-MAN and GALAXIAN games constitutes infringement. The only purpose such printed circuit boards can be used for is to make copies of Midway's GALAXIAN and PAC-MAN games. They have no substantial noninfringing use. Those boards are copies of the GALAXIAN and

PAC-MAN games for the reasons previously set forth, and thus the sale of such boards is direct infringement. Moreover, the sale of such boards also constitutes contributory infringement and inducement of infringement because the boards are sold to others specifically for the purpose of constructing video games, which are also copies, as previously discussed.

Based upon a patent case decided in 1873, defendant claims that plaintiff has no cause of action with regard to the speed-up boards because Midway has "exhausted its rights." But as this Court recognized in its June 2 Opinion, the doctrine of exhaustion of rights does not apply to copyright cases (June 2, 1981 Opinion, p. 21, 22). When Midway sells a particular game, it retains all exclusive rights granted in 17 U.S.C. §106 except for the right to resell that particular game without adaptation or alteration.

Defendant claims that it merely sells replacement parts. Arguments regarding replacement parts are irrelevant where those alleged parts either constitute copies of a copyrighted work or can be used to make unauthorized derivative works of a copyrighted work. Such arguments are simply irrelevant to the issues of infringement in this case.

IV. DEFENDANT HAS VIOLATED LANHAM ACT SECTION 43(a)

In plaintiff's memorandum in support of this motion, plaintiff pointed out that the sale of speed-up kits induces others to mutilate plaintiff's GALAXIAN game and therefore

constitutes a violation of Lanham Act Section 43(a) under the doctrine set forth by the Second Circuit in the Gilliam case, cited in Midway's main brief. In addition, the sale of printed circuit boards which can be used only to create counterfeit copies of Midway's GALAXIAN and PAC-MAN video games also constitutes a violation of Section 43(a) by simulating the nonfunctional features of the GALAXIAN and PAC-MAN game. Truck Equipment Service Co. v. Fruehauf Corp., 536 F. 2d 1210, 1215 (8th Cir.), cert. denied, 429 U.S. 861 (1976); Dallas Cowboys Etc. v. Pussycat Cinema, Ltd., 604 F. 2d 200, 203 (2nd Cir., 1979).

Dispositive of the case at bar is Bulk Manufacturing Co., Inc. v. Schoenbach Products Co., Inc., 208 U.S.P.Q. 664 (S.D.N.Y., 1980). There, defendants were preliminarily enjoined from selling certain coin-operated vending machines for which young people were the principal consumer and which were virtually identical in appearance to plaintiff's vending machines (which plaintiff had promoted with over \$50,000 worth of advertising).

The Sears and Comco cases argued by defendants on pages 11 through 13 of its brief are simply not applicable to Lanham Act infringement. One Federal Law certainly does not "preempt" another federal law. D. C. Comico, Inc. v. Filmotion Associates, 486 F.Supp. 1273, 1277 (S.D.N.Y. 1980). Nor does it preempt a state law such as the Illinois Deceptive Trade Practices Act. Id.

One comment on page 13 of defendants brief deserves special mention. Although defendant claims that there is no proof that Artic has ever sold a "PAC-MAN" circuit board, evidence of sales of such boards is now expected to be produced in the discovery recently ordered by the Court over defendant's objections.

Defendant has also infringed Midway's GALAXIAN trademark and otherwise violated Lanham Act §43(a) by (1) misusing the mark in advertising and (2) inducing others to operate for profit and perform video games which bear the GALAXIAN mark but which are mutilations of the GALAXIAN video games.

Defendant's arguments in the appendix to its brief regarding Midway's ownership of the GALAXIAN mark have no basis whatsoever in evidence. The fact is that Midway is the owner of the GALAXIAN mark by virtue of (1) Midway's extensive use in this country and (2) assignment from Namco. Namco has no right whatsoever to use the GALAXIAN mark in this country.

Defendant's argument that GALAXIAN is generic is based upon assumptions that are contrary to the fact. Midway has applied the GALAXIAN mark to promotional items, such as T-shirts and mugs, and Midway has licensed the sale of other products under the mark.

V. PLAINTIFF HAS INDEED SHOWN IRREPARABLE INJURY

As plaintiff pointed out in its main brief, where copyright infringement is established, irreparable injury is

presumed. Accord, Stern Electronics, Inc. v. Kaufman et al., supra, at p. 4-5. Moreover, it is also presumed that a violation of Section 43(a) creates injury not compensated by monetary damages. National Lampoon, Inc. v. American Broadcasting Cos., Inc., 376 F. Supp. 733, 750 (S.D.N.Y. 1974), aff'd. 497 F. 2d 1343 (2nd Cir. 1974). Further, Midway enjoys a reputation for producing high-quality video games, and this reputation is entitled to protection from association with a video game that does not meet the standards of Midway's products. Dallas Cowboys, Etc. v. Pussycat Cinema, Ltd., supra,.

Defendant has argued that it is a small company, but defendant's own affidavits show that defendant is doing a booming business in the sale of infringing articles. For this reason, it is likely that Midway is suffering irreparable damage by virtue of defendant's infringing activities, but that, because of defendant's small size, defendant will not be able to respond in money damages.

VI. DEFENDANT'S ARGUMENT REGARDING JURISDICTION
DESERVES SHORT SHRIFT

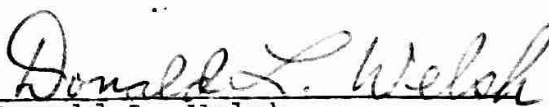
Defendant has admitted on page 2 of its memorandum all of the facts which are necessary to establish personal jurisdiction. Defendant admitted it was exhibiting at a Chicago Trade Show a GALAXIAN printed circuit board. Defendant admitted that it sold the board to Mr. Gore. In addition, defendant admitted at its deposition that it was advertising

the sale of its speed-up kits at the show. Advertising activity at a trade show in conjunction with a sale is sufficient to confer personal jurisdiction in a copyright case. Edy Clover Productions, Inc. v. National Broadcasting Co., Inc., 572 F.2d 119 (3 Cir. 1978) and Testa v. Janssen, 209 U.S.P.Q. 535, 536 (1980). Defendant, however, attempts to avoid this result by claiming that it was "entrapped". Entrapment, however, is not a defense to personal jurisdiction in a civil case.

CONCLUSION

For the reasons stated above, it is respectfully submitted that Midway should be granted a preliminary injunction forthwith to prevent further irreparable injury.

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